

Message Text

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17

ACTION NEA-09

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FM AMEMBASSY KABUL

TO SECSTATE WASHDC 1764

INFO AMEMBASSY ISLAMABAD

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TAGS: ECON, EFIN, ECRP, EGEN, AF

SUBJ: ECONOMIC ASPECTS OF PRESIDENT DAOUD'S "BLITZ"

INTERVIEW

REF: A. KABUL 1596 B. CERP 0200

1. SUMMARY. "BLITZ" INTERVIEW GIVES SEVERAL HINTS OF NEW ECONOMIC-RELATED LAWS AND PROGRAMS, BUT WITHOUT DETAILS. NEW BUDGET IS SUMMARIZED WITH CONFUSING FIGURES, BUT COMMENTS ON BUDGET CONFORM TO OTHER REPORTS AVAILABLE. OVERALL, INTERVIEW WAS STRICTLY PROPAGANDA ON ECONOMIC SIDE, WITH LITTLE NEW OR EXCITING.

2. IN DISCUSSING DEVELOPMENT PROJECTS, PRESIDENT DAOUD IN HIS INTERVIEW WITH "BLITZ" MAGAZINE STATED THAT SEVENTY-SEVEN (77) NEW PROJECTS ARE UNDER STUDY. AMONG THEM HE MENTIONED IRRIGATION ON THE AMU DARYA (USSR), LOWER HELMAND (IRAN), FARABRUD (KUWAIT), HARIRUD (SAUDI ARABIA), TRANSPORTATION AND MINERAL EXPLOITATION; AND OIL EXPLORATION IN THE NORTH

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AND SOUTH. NOTHING HE MENTIONED WAS NEW, WITH THE

EXCEPTION OF THE STATEMENT THAT OIL PROSPECTING WILL SOON BEGIN IN THE AREA OF HERAT. THE FIGURE 77 HAS NOT BEEN HEARD BEFORE, BUT IS FAIRLY MEANINGLESS WITHOUT SPECIFICS. IT DOES REINFORCE OUR IMPRESSION THAT THE GOA IS TRYING TO START PROJECTS SIMULTANEOUSLY IN EVERY GEOGRAPHIC AND PROJECT AREA.

3. ON THE FINANCIAL SIDE, PRESIDENT DAOUD GAVE AN OVERVIEW OF THE GOA BUDGET FOR 1354 (MARCH 21, 1975-MARCH 20, 1976) DAOUD'S FIGURES AND PERCENTAGES DO NOT CONFORM TO PUBLISHED FIGURES OR PERCENTAGES KNOWN IN KABUL, BUT ARE IN THE SAME GENERAL AREA. THE EMBASSY HAS BEEN TOLD THAT THE ANNOUNCED BUDGET IS VERY ROUGH, WITH CONTINUING DISPUTES ABOUT MANY OF THE FIGURES, WHICH SEEMS BORN OUT BY THE DISCREPANCIES BETWEEN PUBLISHED FIGURES. THE BUDGET IS EXTREMELY OPTIMISTIC AND WILL DEPEND ON THE GOA EXERCISING CONSIDERABLE POLITICAL WILL IN REVENUE COLLECTION TO ACHIEVE ITS STATED TARGETS. IN THIS INTERVIEW, DAOUD MENTIONS FOR THE FIRST TIME THAT A LAND REFORM LAW WILL "TAKE FINAL SHAPE" DURING THIS YEAR, PRESUMABLY BEFORE MARCH 20, THE END OF THE PRESENT AFGHAN YEAR. THIS MAY INDICATE THAT THE GOVERNMENT DOES INTEND TO APPLY PRESSURE TO COLLECT REVENUES FROM SUCH AREAS AS LAND TAXES, BUT AS DAOUD STATED THAT THIS REFORM WILL BE IMPLEMENTED "GRADUALLY," ONE CANNOT BE SURE HOW THIS WILL BE ENFORCED DAOUD ALSO NOTED THAT A BANKING LAW WOULD "SHORTLY COME INTO FORCE". THIS IS NOT THE FIRST SUCH ANNOUNCEMENT, BUT MAY WELL BE TRUE THIS TIME. THE INTERNAL GOA DRAFTING OF A LAW HAS BEEN COMPLETED, AND THE END PRODUCT MAY WELL HAVE GONE TO CABINET. NOTHING IS KNOWN ABOUT THE CONTENT OF THE LAW EXCEPT THAT THE DRAFTERS REPORTEDLY ENTIRELY IGNORED THE DRAFT LAW DRAWN UP FOR THE GOA IN 1973 BY AN IMF EXPERT TEAM. IN HIS INTERVIEW, PRESIDENT DAOUD REPEATED THE FIGURE OF AROUND 12 PERCENT OF THE BUDGET FOR SUBSIDIES, APPARENTLY REFERRING ONLY TO SUGAR AND PETROLEUM SUBSIDIES. OUR FIGURES SHOW TOTAL SUBSIDIES AND GRANTS AMOUNT TO APPROXIMATELY 18-20 PERCENT OF THE TOTAL BUDGET FOR 1354.

4. THE INTERVIEWER MENTIONED THE GOA'S ENVIABLE INFLATION RECORD, KEEPING PRICE RISES TO APPROXIMATELY 7 PERCENT, LIMITED OFFICIAL USE

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AND ASKED THE REASONS. (THIS 7 PERCENT FIGURE IS AN OLD ONE. DRAMATIC PRICE RISES IN RECENT MONTHS SHOW A 39 PERCENT RISE FROM JANUARY 74 THROUGH JANUARY 75.) BESIDES THE KNOWN REASONS, (SUBSIDIES, PRICE FIXING), DAOUD STATED THAT THE GOA HAD DECREASED THE AMOUNT OF MONEY PUT INTO CIRCULATION BY 40 PERCENT FROM 1352 TO 1353. A SHORTAGE OF LOCAL CURRENCY HAS BEEN NOTED AS A REASON FOR THE INFLATED VALUE OF THE AFGHANI, BUT THIS IS THE FIRST TIME IT HAS BEEN STATED AS A

GOA POLICY. (THE 40 PERCENT FIGURE DOES NOT CORRESPOND TO ANY KNOWN STATISTICS, BUT IN THE PAST SEVEN MONTHS, THE MONEY SUPPLY AS NARROWLY DEFINED (MONEY IN CIRCULATION) HAS SHOWN A SLIGHT DECLINE, WHILE MONEY BROADLY DEFINED (M1 PLUS M2) HAS INCREASED AT A TEN PERCENT RATE COMPARED TO A 14 PERCENT RATE LAST YEAR).

5. THIS WAS A POLITICIAN'S UTTERANCE AND WAS SHORT ON DEFINITIONS OR PRECISION. HE DID, HOWEVER, PROVIDE SOME USEFUL HINTS AS TO WHAT TO LOOK FOR IN GOA ACTIONS IN THE MONTHS TO COME.

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